**Fellowship Disclosure Procedures**

The Internal Revenue Code excludes from taxation as a “qualified scholarship” any amounts paid to a degree candidate that are used for tuition, fees, books, equipment and supplies required for a course of study, provided that such payments do not constitute compensation for services.

Stipends or living allowances paid as part of a scholarship or fellowship which are not used for required tuition, fees, or required books, equipment or supplies are considered taxable income to the recipient and are subject to federal and state income taxes. However, the University is not required to report such payments to the IRS or withhold taxes on such payments unless the recipient is a nonresident alien. For further details, see University Policy FIN-012: Scholarship/Fellowship Payments to Foreign Nationals. However, all recipients are required to report their taxable scholarships and fellowships to the IRS by filing a yearly tax return, and to pay the requisite taxes.

Qualified scholarships do not include amounts paid as compensation for services, such as serving as a graduate teaching assistant (GTA) or graduate research assistant (GRA). If a scholarship or fellowship is conditioned on performance of services, the recipient must be classified as an employee and payment must be made through Payroll with appropriate taxes withheld.

**Fellowship Disclosure Form:**

The University is responsible for correctly classifying payments made to individuals. Misclassifying employees as fellows, or vice versa, may expose the University and the individuals involved to adverse tax consequences or unintended financial aid implications. The ***Fellowship Disclosure Form*** should be completed each time a recipient receives a new fellowship, and should be maintained for a period of five years. The department or school may be liable for any penalties resulting from an IRS audit if it has not complied with this procedure. The University regards the payment of the fellowship stipend as proof that the department or school has complied with this procedure.

**Fellowship Program Documentation:**

The University school or department administering a fellowship program is responsible for documenting that the program primarily benefits the fellow rather than the University, and that the fellowship is not conditioned on the provision of services to the University. Fellowship program documentation should be completed upon creation of a new fellowship program, and should be maintained for the duration of the program.

**Fellowship Award Letters:**

Fellowship award letters should indicate that payments are to support the individual's studies or research and that no services are required to receive the payments. Language such as the following should appear in the award letter:

“This is a non-service fellowship award. The individual receiving this award is not required to perform any services in exchange for the award. Accepting this award may affect eligibility for need-based financial aid through Student Financial Services.”

**Fellowship Disclosure Form**

This form should be completed by the Fellowship recipient's department chairperson, dean or departmental representative responsible for approving fellowship stipends. A copy of this form must be retained for five years for audit purposes.

**Fellowship Recipient Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Fellowship Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**School & Department: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Section 1. Fellowship Funding Source**

1. Are the stipend payments made under the National Research Service Award (NRSA) fellowship program (such as F31, F32 or T32 programs)?

 \_\_\_ Yes. The payments should be treated as a fellowship. Skip to section 3.

 \_\_\_ No. Continue to question B.

1. Are the stipend payments made under one of the following specific types of National Institute of Health research grants (applies to these NIH programs only):
* Research Project Grant (R01)
* Exploratory/Developmental Research Grant Award (R21)
* Resource-Related Research Project (R24), or
* Research Education Grant (R25)?

\_\_\_ Yes. The payments should be treated as wages through Payroll. Skip to section 3.

\_\_\_ No. Continue to question C.

1. Are the stipend payments charged to an agreement under which the University is required to perform specific research or other contractual obligations?

\_\_\_ Yes. The payments should be treated as wages through Payroll. Skip to section 3.

\_\_\_ No. Continue to question D.

1. Does the funding source prohibit the payment of fellowship stipends with the funds or require that payments to individuals be treated as compensation for personal services?

\_\_\_ Yes. The payments should be treated as wages through Payroll. Skip to section 3.

\_\_\_ No. Continue to section 2.

**Section 2. Fellowship Program Requirements**

If the answers to all questions below are “no,” then the fellowship conforms with the IRS definition of a nonwage fellowship and can be paid to the recipient in the form of a stipend which is not subject to tax reporting or withholding except in the case of foreign nationals.[[1]](#footnote-1)

If the answer to any question below is “yes,” the fellowship payment must be made as wages through Payroll and is subject to tax reporting and withholding.

1. Are the stipend payments contingent on the recipient performing

 past, current or future research services, or developing a particular

 product? Yes\_\_\_ No \_\_\_

1. Are the stipend payments contingent on the recipient providing any

services of primary benefit to the University, such as teaching a

regularly scheduled class, advising students, or grading papers? Yes\_\_\_ No \_\_\_

 C. Has the grantor implicitly or explicitly promised post-graduate

 employment to the recipient after he or she completes the grant? Yes \_\_\_ No \_\_\_

 D. Can the recipient be terminated for reasons other than failure to

 make satisfactory academic progress? Yes \_\_\_ No\_\_\_

**Section 3. Department Approval**

[ ] I have read this Fellowship Disclosure Form and have determined that the recipient has been awarded a nonwage fellowship in accordance with IRS definitions. I understand that the basis of this decision may in the future be called into question by the IRS or the University, and that any resulting tax liability attributed to this decision may be the responsibility of the approving department or school.

[ ] I have read this Fellowship Disclosure Form and have determined that payments to the fellow qualify as wages and must be processed through Payroll as wages.

**Signature: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Name/Title of Approver: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

1. See University Policy FIN-012: Scholarship/Fellowship Payments to Foreign Nationals. [↑](#footnote-ref-1)